Business Rates Retention: Business Interests Group

Update for Steering Group

1. The Business Interest Group met for the third time on 15 November. The meeting was chaired by Stuart Hoggan, Department for Communities and Local Government (DCLG). The main area of discussion was the themes emerging from the responses received by the Government to the summer consultation and call for evidence on needs. In total, around 450 consultation responses were received to the main consultation, of which 22 were from business or business representative bodies and a further 12 from Local Enterprise Partnerships (LEPs).

2. In particular the Group considered a paper from DCLG on local tax flexibilities, which outlined potential options for approval of the infrastructure levy in mayoral combined authorities and arrangements for authorities to lower the business rate multiplier.

3. A large number of consultation responses indicated that they did not support the proposed mechanism of LEP approval for the infrastructure levy. In response, DCLG are considering a range of options, to give greater recognition to the democratic legitimacy of elected mayors. If a prospectus-based approach was adopted with a consultation process, members of the group felt that the LEP should be consulted in the same way as local businesses and other groups. Members noted that LEPs did not have a statutory basis and therefore they should not be given a specific role defined in legislation.

4. Group members also emphasised that they would prefer a more narrow definition of infrastructure spending to be funded from the levy. They indicated that, if the definition was drawn more widely, there was a risk that spending financed by the levy would not meet an ‘additionality’ test and therefore would be less likely to be supported by businesses.

5. Feedback from consultation responses showed that in general, local government wants the flexibility to increase the multiplier back up to the national level in a single move; whereas business groups expressed concern that this could result in the risk of potentially steep increases in business rates bills. It was suggested that some kind of transitional protection could be put in place, similar to the arrangements following revaluations. It was also emphasised that businesses should receive enough notice of any changes in the multiplier to be able to plan effectively.

6. However, group members acknowledged, that it was unlikely that local authorities would decrease the multiplier to an extent that subsequent increases would cause significant problems. Members discussed the likelihood of local authorities making use of the power to lower the multiplier and the extent to which a multiplier reduction would make a material difference to businesses. There was a general consensus that more focussed multiplier reductions, e.g. for specific geographical areas or business sectors, would be more attractive to councils than an across-the-board reduction. They could provide a way of creating incentives similar to the current Enterprise Zones approach.

7. The Group will continue to meet every few months and members raised a number of issues that could be considered at future meetings, including properties on the central list and responsibilities related to support for small businesses.